

ISSAQUAH SCHOOL DISTRICT NO. 411
King County, Washington
Special Audit
October 20, 1995 Through March 31, 1996

Schedule Of Findings

1. Public Funds Were Misappropriated

Our audit of the financial records associated with a basketball fundraising activity in the Associated Student Body (ASB) Fund at Liberty High School revealed that at least \$818.74 in public funds was misappropriated by a part-time coach during the period October 20, 1995, through March 31, 1996. There were no federal funds involved in this case. These funds were misappropriated as described below.

A part-time coach took some of the proceeds from a basketball fundraising activity at Liberty High School. The coach arranged for this fundraising activity directly with the vendor and conducted the event without the knowledge of the district. As a result, he did not turn in any proceeds from the fundraising activity to the district. The supporting documents for this event revealed that the coach was accountable for at least \$818.74 that was not turned in to the district. The schedule below summarizes these losses.

<u>Description</u>	<u>Amount</u>	<u>Amount</u>
Cash collections by students for the sale of "gold cards"		\$2,400.00
Less:		
Payments to gold card vendor	\$1,300.00	
Payments for other purchases made by the coach	<u>281.26</u>	
Total expenses		<u>(1,581.26)</u>
Net loss of funds		<u>\$ 818.74</u>

In addition, district officials may become liable for a \$52.48 unpaid invoice which will become due on April 21, 1996.

The part-time coach was solely responsible for all aspects of the basketball fundraising activity at Liberty High School. When we discussed these irregularities with him on March 27, 1996, he was unable to provide any further explanation for the missing funds. The fundraising activity was not organized very well and was handled informally. While he knew he was accountable for the financial results of the event, he stated that he did not take any of these funds for his own personal use. However, these funds were deposited

into his personal bank account during the period of the fundraising activity. He also reported that an unknown amount of funds was stolen from his personal locker and desk on two separate occasions, even though these facts were not disclosed to the district during their investigation of this matter. The coach was unable to provide the dates of these thefts or the amount of funds involved. In addition, he did not report these thefts to the district or to the police because the fundraising activity had not been conducted using district procedures. On the advice of their attorney, the district placed the coach on administrative leave on March 22, 1996.

RCW 42.20.070 states:

Misappropriation and falsification of accounts by public officer.

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her, or
- (3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account, or
- (4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than 15 years.

While the coach was aware of district procedures for conducting fundraising activities, he purposefully circumvented those procedures by arranging for and conducting the basketball fundraising activity without the knowledge of the district.

Issaquah School District has a personnel dishonesty bonding policy for all employees. However, this loss was not covered by the bonding company because it was less than the deductible provision of the policy.

We recommend Issaquah School District seek recovery of the misappropriated \$818.74 and related audit/investigation costs from the coach. We further recommend the Washington State Office of the Attorney General and the King County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.